

**ANNUAL BUDGET OF**  
**Mbizana Local Municipality**



**2012/13 TO 2015/16**  
**MEDIUM TERM REVENUE AND**  
**EXPENDITURE FORECASTS**

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# **Annual Budget**

## **1. Mayor's Report**

### **Mbizana Local Municipality budget Speech by Her Worship the Mayor, Councilor Zoleka Busuku presented to the Special Council Seating of the 31<sup>st</sup> May 2012 in the council Chambers**

Honourable Speaker,  
Members of the Executive Committee,  
The Chief Whip,  
The Traditional Leaders,  
Members of the Opposition Parties in Council,  
Honourable Councillors in General,  
Members of the Public Present,  
Members of the Media Present,  
Management of the Municipality under the Municipal Manager,  
Leaders of Political Parties,  
Employee Unions,  
Ward Committees,  
Community Development Workers,  
Friends, Ladies and Gentlemen

I would like to extend warm regards and greetings to all of you present on this important day on the Mbizana Local Municipality calendar.

Honourable Speaker, it is indeed a great honour for me to stand here to present the budget for Mbizana Local Municipality. It will indeed be fist budget that I present before council and the people of Mbizana since the inauguration of this council on the 03<sup>rd</sup> June 2011 under trying circumstances. We have a history that we must not forget quickly as this will be a recipe for falling into the same pits that we nearly got trapped in.

The 2012/13-14/15 Medium Term Expenditure framework is going to be very important for us in this Municipality as it is going to be a budget that we have to make a difference to the lives of our people. This MTEF period will be the period that will decide on whether or not we make an indelible dent to underdevelopment and infrastructure backlog that is facing us.

The budget that we are presenting today is informed by a very participatory process of the IDP informed by the IDP/Budget process plan that was adopted by council.

Clearly, our choices for this budget must be clear and be aligned with those that were outlined by the President of the Republic, honourable President JG Zuma, in his State of the Nation Address; the Minister of Finance, honourable MP P Gordahn; the State of the Province Address by the Premier, Honourable N. Kievit and the MEC for Planning and Provincial Treasury, Honourable MEC Massualle. The President has been clear that this financial and the whole of the MTEF period is going to be focusing on infrastructure development and job creation.

The Minister of Finance has emphasized the importance of our ability to plan and manage our infrastructure development programmes. We therefore have to focus on this important aspect in our implementation plan going forward. This ability to plan and manage our spending on capital projects has been accompanied by a caution from the Finance Minister; we have been warned that if we underspend or mis-spend our allocated budgets for capital programmes, this might result in us losing future allocations. This tells us we must be clear of our objectives and what we want to achieve and how do we measure our performance.

This budget is presented well against the backdrop of economic instability in Europe in the main. The Minister has warned us not to be complacent and think what is happening in Greece would not happen in our Country. Amongst the others, we need to ensure that we avoid the economic crisis by ensuring that we focus on major issues that we have been elected for.

We need to reduce expenditure on issues that are not core for our existence. We need to spend prudently according to what the constitution of the Republic dictates to us in schedule 4 and 5 Part B in both schedules. In both of these schedules it is clearly stated what are functions of a municipality. Further, there are powers and functions that were a product of assessment by the Municipal Demarcation Board; these must be our radar in terms of our expenditure patterns.

As indicated before the budget has been based on the IDP priorities and the participation of our communities. The IDP priorities were developed through a thorough going process of analyzing the situation that we find ourselves in. We identified the strategies and objectives for addressing the issues that emerged in the analysis. Lastly, we identified projects that have to respond to the strategies and therefore deal with the issues that were identified.

### **Issues that need special focus**

The following are issues that emerged in the IDP and the strategic planning session of the Municipality:

- Job creation
- Poverty alleviation
- Infrastructure backlogs
- Maintenance of infrastructure assets
- Achieving an improved audit opinion
- Improved Financial Management
- Reducing operational costs
- Accelerating Service Delivery

### **National Treasury Guidelines**

The National Treasury has issued several circulars to guide Municipalities in developing credible and compliant budgets. The recent circular 59 is guiding municipalities for Budget preparation for the financial year 2012/13 and the MTEF period ahead. Besides

circular 59, there are circulars 10, 28 and 51 that continue to give guidance on budget preparations.

In circular 59, National Treasury has also provided guidelines on possible budget growth limits of the MTEF period. The projected limits for financial years 2012/13, 2013/14 and 2014/15 are 5.9%, 5.3% and 4.9% respectively. It would be noticed that there is a declining level of increase on the limits over the MTEF. This indicates that we may have to be more financially prudent and focus on key issues of Service Delivery. Municipalities are further advised to budget for a 5% wage increase; however, there is no information from the Bargaining Council as yet.

Circular 59 also deals with the change on tariffs for electricity on the basis of NERSA tariff increases. It is provided that the purchase of bulk electricity from Eskom by municipalities will increase to 13.5% from the 01<sup>st</sup> of July 2012. In return Municipalities are only allowed an increase of 11.03% increase as per the guidelines. We are electricity distributors and as such electricity forms core part of our revenue base. It is therefore very important that we must consider our tariff structure that we don't make losses nor do we over charge our customers, our people. I must indicate that plans are afoot to ensure that we have a proper tariff structure going forward. Beside the tariff structure, in electricity we also have a challenge to ensure that we collect maximally in particular from businesses. We by no means are suggesting that we must set tariffs that will crowd out businesses; in fact we need to encourage more businesses to establish.

In compiling the budget there are assumptions that the budget was based on. Table 1 below shows such assumptions that may change with time as more information gets to be available.

**Table 1. Budget Assumptions**

Description	2011/12	2012/13	2013/14	2014/15
National treasury guidelines				
CPIX	5.7%	5.9%	5.3%	4.9%
Salaries	7.5%	5.0%	5.0%	5.0%
Rates & Refuse	2.00%	2.00%	2.00%	2.00%
Telephone Cost	5.7%	5.9%	5.3%	4.9%
Free Basic Electricity (Indigent)	50 Kwh	50Kwh	50Kwh	50Kwh

### **Operating Budget**

It has been generally difficult to anticipate the processes of the bargaining council in terms of a possible salary bill. However, we have made an increase of about 10% of salary increment for employees to cater for and accommodate a possible agreement in the bargaining council.

We have also created an increase of 5.9% increase on general expenses, repairs and maintenance.

## **Operational Budget**

### **Personnel**

**R 66,366,778**

The figure above also includes the Public Office Bearers allowances that constitute 48.51% of the total budget.

### **Repairs and maintenance**

Road maintenance

**R5,000,000**

### **General Expenses**

**R 56,617,828**

Out of the General Expenses we need to highlight some important expenditure votes that are worth lifting and mentioning to this council.

### **Accounting and Audit Fees**

**R 2,200,000**

We need to prepare fees to ensure that our financial statement are in good order and as such we have set aside the above amount to ensure that we produce quality financials. We also make provision for audit fees.

To enhance Public Participation we have set aside:

**R 500,000**

We continue to improve our systems and assisted through the Municipal Systems Improvement Grant (MSIG) from the Department of Cooperative Governance and Traditional Affairs.

**R 800,000**

Finance Management Grant

**R 1,500,000**

### **Special Programmes**

**R 700,000**

We continue to focus on the designated groups (Youth, Women, Disabled) that include children and the elderly: We have considered to increase this vote to R900 000 which R500 000 will go to youth programmes as there was a general cry from the public during the road shows that this vote needs to be increased to accommodate youth development.

### **Bulk Electricity Purchase**

**R 18,391,955.69**

A significant amount of general expenses goes to bulk electricity purchases. This is important because it a source of revenue for the Municipality:

### **The Free Basic Energy (FBE)**

**R 1,712,156**

We continue to offer free basic energy to the qualifying indigent beneficiaries.

**Oil & Fuel: R 900,000**

Due to the increased plant that has been acquired, it has become necessary for the Municipality to provide for an increased expenditure on fuel and oil.

**Local Economic Development R 1,299,000**

This allocation includes agriculture, Mari culture, SMME support, Tourism and other activities to support LED activities.

**Institutional Development and Team Building R 2,861,300**

It is important to develop a dynamic, united, trained and agile work force and therefore we will continue to support continuous training and development, academic development and team building.

**Ward Clerks R 568,000**

This Financial year, we have set aside an allocation to support the recruitment and remuneration of ward clerks for all the 31 wards. This will indeed strengthen the ward administration and therefore service delivery.

**Ward Committees R 3,720,000**

The ward committees have proved to be very useful in ensuring good governance at ward level and therefore we will continue to support the Ward Committees.

**Telephone: R 1,600,000**

Telephone is an important tool for communication and as such we have set aside a substantial amount of allocation in this budget to ensure that communication is enhanced. However, we must do all possible to ensure that we reduce cost of communication through telephones. This will become a run away train. A message to both officials and full time politicians is that we must do all necessary to reduce this expenditure so as to redirect this allocation or a portion of it to service delivery.

**Maintenance and Repairs R 8,549,131**

This is an important vote, however this is one of the lowest votes in the budget. This is a matter for concern that must be looked into going forward as the creation of asserts needs maintenance and repairs.

**HIV/Aids R 350,000**

We must join hands to fight the scourge of HIV/Aids through awareness programmes and other support mechanisms that are within the realm of the National plan. An additional **R150,000.00** will be added in this vote as it emanated from the budget road shows that there is a need to increase this allocation which will then put to **R500 000**

**Capital Expenditure** **R 91,351,976**

This is the biggest allocation and the biggest increase in comparison to the previous financial years. This has been increased from R 35 m last financial year to R 88 m this financial year. It is indeed in line with the national priorities as stated by the President on his State of the Nation Address. This expenditure will be focusing on roads, community halls, sports fields, and other.

**MIG projects** **R 35,445,000**

A total of 13 access roads have already been logged onto the MIS for implementation by the beginning of the financial year. This is an important step towards reducing infrastructure backlog, ensuring accessibility and creating jobs.

**Landfill Site** **R 4,000,000**

We have allocated this amount primarily to ensure that we have a landfill site that is able to contribute to environmental management. It has also been an audit finding that the Municipality does not have a landfill site that is duly approved.

**Plant & Equipment** **R 1,700,000**

We are trying to strengthen our internal capacity to ensure that we maintain asserts that we create. We therefore will continue to add on the existing plant and equipment.

**Integrated Electrification Programme** **R 30,000,000**

The Municipality has an estimated 72% backlog in electrification, this amount will contribute significantly in reducing the backlog.

**Bus Rank** **R 2,000,000**

In the previous financial year we had set aside R 2m for the construction of a bus rank. We further are setting aside another R 2 m for the coming financial to complete another phase of the bus rank.

**Taxi Rank** **R 1,200,000**

We also will be completing the taxi rank, finishing the ablution facility in the rank. We also will be improving the lighting system of the taxi rank.

**Sports Fields** **R 1,200,000**

We are going to building new sports fields in various wards as part of a programme to promote sport amongst the youth.

**Licensing station** **R 2,000.000**

The licensing station has a great potential to be another significant source of revenue. We therefore have set aside R 2 m to ensure that a second phase of the testing centre is constructed.

**Major Renovations & completions of Community Halls      R 700,000**

Some of the halls are in a bad state and as such we shall be starting a programme of major renovations and completion of some of the halls.

An amount of R7 000 000.00 which is savings from this current financial year will be allocated for Capital projects.

**Major Revenue Sources:**

MIG	R 35,445,000
Equitable Share	R 120,069,000
MSIG	R 800,000
FMG	R 1,500,000
Electrification	R 30,000,000
Assessment Rates	R 7,643,867.25
Leases	R 755,917
Traffic Fines	R 300,000
Electricity Sales	R 28,121,492
Refuse Removal	R 876,341.26
Licensing Station	R 1,100,000
Natis Agency Fees	R 400,000

**Total allocation per Department**

Council	R 17,522,704
Speaker's Office	R 3,860,000
Mayor's Office	R 1,850,000
Municipal Manager's Office	R 12,771,093
Budget and Treasury	R 18,046,115



Corporate Services	R 20,184,879
Local Economic Development	R 6,025,754
Community Services	R 14,330,961
Refuse Removal	R 14,912,245
Planning and Infrastructure	R 64,055,551
Electricity	R 58,007,944
<b>Total budget</b>	<b>R 231,180,794</b>
<b>Conclusion</b>	

For the first time we have a budget that is over R 200 m; for the first time our capital expenditure is just over R 90 m; we must look forward to changing the lives of our people through infrastructure development and job creation. Lastly, we have a challenge to change the audit findings in pursuit of a clean audit opinion by 2014. This means we all have to do things differently so as to achieve this. It means we have to observe compliance issues; good governance, record keeping and most importantly focus on issues that are on schedule 4 and 5 of the constitution. Let us join hands to fight corruption and maintain good governance.

## **2. Council Resolutions**

Mbizana Local Municipality sat on the 31 May 2012 to consider the tabled annual budget for the 2012/2013 Financial period. The Council, acting in terms of section 24 of the Municipal Finance Management Act 56 of 2003, approved and adopted the following resolutions:-

- 2.1 The Annual Budget of Mbizana Local Municipality for the financial year and the multi-year as set out in the A1 Schedules accompanying this document.
- 2.2 The Mbizana Local Municipality council, acting in terms of section 75A of the Local Government : Municipal Systems Act 32 of 2000 approves and adopts with effect from the 01 July 2012:-
  - i) The tariffs for Property Rates
  - ii) The tariffs for Electricity
  - iii) The tariffs for Solid Waste Removal and
  - iv) Tariffs for other services that the municipality provides.

## **3. Approved Budget Related Policies**

The Council of Mbizana Local Municipality also approves the following budget related policies:

- 3.1 Tariff Policy
- 3.2 Property Rates Policy
- 3.3 Credit Control and Debt Collection Policy
- 3.4 Cash Management Policy



<b>Town</b>	<b>OLD2011/2012</b>	<b>2012/13</b>
Meetings & Churches (Hourly rates)	R 88.00	R 92.75
Entertainment & workshops	R 220.00	R 231.88
Security Fee	R 770.00	R 811.58

<b>Villages</b>	<b>OLD2011/2012</b>	<b>2012/13</b>
Hall Hire	R 220.00	R 220.00
Security Deposit	R 440.00	R 440.00

<b>CEMETERY</b>	<b>OLD2011/2012</b>	<b>2012/13</b>
Adults	R 484.00	R 510.14
Children	R -	R 255.07
Stillborn	R -	R 100.00

## **POUND FEES**

Admission of Guilt under Municipal By-Law(for all animals)

R 300.00

Storage at the Pound

Cattle, Horses, Donkeys and other animals of similar size

R50 per night

Goats, Sheep, and other animals of the same size

R30 per night

If Captured by SAPS(e.g. recovered stolen animals)

R20.00 per night

## **LIBRARY FEES**

### **MEMBERSHIP**

Adults - Per Annum

R - R 50.00

Children - per annum

R - R 30.00

Children 12 years and younger

R - R -

Penalties

Overdue returns - per day

R - R 0.60

Book tempered with(missing cover, barcode, lost card)

R - R 30.00

Lost Book

Market value  
of the book

## **DUMPING SITE**

BAKKIE - PER LOAD

R - R 30.00

TRUCK - PER LOAD

R - R 60.00

# Mbizana Local Municipality



## Quality Certificate

I, Simphiwe Thobela, Municipal Manager of Mbizana Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under that Act, and that the annual budget and supporting documentation are consistent with the Integrated Development Plan of the Municipality.

Name (print) \_\_\_\_\_

Municipal Manager of Mbizana Local Municipality(EC443)

Signature \_\_\_\_\_

Date \_\_\_\_\_